

Attachment # 3

BUSINESS AND INDUSTRY OPPOSITION ARGUMENTS BY COMPANY OR ASSOCIATION

Allstate Insurance Company (David Field, Regional Counsel, spoke in Grand Rapids and submitted written comments July 30) Allstate is the largest publicly held personal lines insurance company and insures 1 out of every 8 automobiles and homes in the U.S., 350,000 autos in MI. Began using a scoring model for auto and homeowner premiums in 2000, and began in MI in May 2000. Claims that Allstate used data from over 4 million auto and home policies to develop its model. Requests withdrawal of Rule Set 2004-022LG and states support for HB 5803. Main points:

- 1) Claims credit information is the most reliable predictor of losses developed in the last 30 years and has five "insurance Financial Stability" tiers.
- 2) Claims Allstate's MI data confirms national data finding a correlation between high credit scores and loss experiences, but charts show "All Cov Pure Premium" compared to "Paid Frequency." The commentary calls "pure premium" dollar amount "loss costs," and Allstate then states its worst category has 50% more claims than its best category. Not clear what is being compared – number of claims or cost of claims. The commentary suggests both, but if that is the case, there is clearly a column missing. Cites EPIC Actuaries study and TX study.
- 3) Claims credit reports are more accurate than MVR records, and argues the small number of people requesting credit reports and disputing them are proof of their accuracy.
- 4) States Allstate could not comply with any rule promulgated effective January 1, 2005, that it needs 315 days to retool for renewal policies and 250 days for new policies.

American Insurance Association (Sean McManamy, Asst. VP of Midwest Region, speaking in Grand Rapids, July 21, 2004 and submitted typed comments the same day.) Says AIA member companies write 14% of MI personal auto market and 20% of MI homeowners' market. AIA main points:

- 1) Premiums will increase for most MI policyholders if the rule is adopted since the reduction applies to base rates and not premiums.
- 2) Says credit scoring is not the cause of increased premiums. Rather, increased medical costs, insurance fraud, up-tick in weather-related claims. "Insurance scoring has not caused overall rates to go up. It has allowed insurers to spread out those higher rates in such a way as to make sure that everyone is paying their fair share."
- 3) Complains that MI is the only state in the country to offer unlimited personal injury protection benefits and to prohibit surcharges even on high-risk drivers.
- 4) States the Commissioner has power, without rule, to disapprove any rating plan that is excessive, inadequate, unfairly discriminatory, or that does not accurately reflect an insurers expected losses.

Auto Club Insurance Association (AAA- Judith M. Feldmeier, VP and Chief Actuary, submitted written comments.) . AAA uses credit-based insurance scores as rating factor in all auto, home, and mobile homeowners insurance programs in MI. "ChoicePoint is our vendor to provide Experian, Fair/Isaac scores." Auto Club allows discounts for no file or files insufficient to produce score. Used credit as rating factor since 1997)

- 1) FCRA authorizes use and Auto Club complies with FCRA.
- 2) Scoring models do not use nationality, age, religion, race, gender, location/address, net worth/salary, income, marital status, and occupation.
- 3) Applies rates uniformly in accordance with rules and rates "currently filed and approved by OFIS."
- 4) Research shows low error rate in credit reports. Auto Club readjusts rates if error is corrected.
- 5) Lack of uniformity within industry promotes competition.

- 6) Credit scoring is not only source of base rate increases. Says annual inflationary increases in insurance-related costs are source of base rate rise. Admit base rate increases are “partially due to presence of new and increasing insurance score discounts.”

Says two-thirds (2/3rds) of policyholders will see premium increase if credit scoring eliminated.

ChoicePoint (Jeffrey A. Skelton, Asst. VP, Personal Insurance Legislative Affairs submitted written comments.) ChoicePoint is a publicly traded company based in Georgia, providing credentialing verification services to government and the private sector, with many products designed to service insurance customers, including insurance scores. States only a small number of elements in a credit report are “statistically sound for predicting frequency and severity of future loss” and “prior financial behavior as exhibited in a credit report is a logical and appropriate use for the evaluation of insurance risk.” ChoicePoint models are developed using data from millions of policyholders and measure the performance of each consumer against the average consumer. Mr. Skelton attaches charts for ChoicePoint loss-ratio models to show a correlation between low credit scores and increased losses. Opposes the rule and supports continued use of insurance credit scoring.

Consumer Data Industry Association (CDIA) (Chantele L. Artman spoke in Lansing on July 19 and submitted written comments.) CDIA, founded in 1906 and formerly known as Associated Credit Bureaus, represents more than 400 consumer data companies, including CBC Companies in Grand Rapids, TransUnion, and other of the nation’s leading institutions in credit reporting, mortgage reporting, check verification, collections services, etc. CDIA reports that 92% of the nation’s largest auto insurers use credit data to underwrite new business, with over half starting to use such data after 1998. Ms. Artman explains that credit information in an insurance score is one part of an overall score including application information, MVA data, claims history, and home or auto information. CDIA relies upon the Tillinghast-Towers Perrin study, a statement from Robert P. Hartwig, Senior VP and Chief Economist for the Insurance Information Institute, and American Insurance Association “Talking Points”, for the point that credit scores and data are predictive of insurance loss. CDIA believes the Fair Credit Reporting Act (FCRA), as amended by the Fair and Accurate Credit Transactions (FACTA), provides adequate protection for consumers to dispute any credit report inaccuracy. CDIA also cites to 15 USC 1681b(a)(3)(C) as authority for the use of credit for insurance purposes, and cites the July 2003 US General Accounting Office study, *Consumer Credit – Limited Information Exists on Extent of Credit Report Errors and Their Implications for Consumers*, GAO-03-1036T, 9-10, for criticism of the methodology and varying definitions of “error” used by the U.S. Public Interest Research Group (PIRG) and the Consumers Union (CU) in conducting studies that found errors in 70% of credit reports. CDIA also cites a February 2003 Federal Reserve Bulletin concluding, despite limitations, that credit reporting information generally provides an effective measure of relative risk posed by prospective borrowers and that the current system has reduced the cost and improved the “overall quality of credit decisions.” CDIA concludes by citing an Allstate summary claiming that “the number of inaccurate credit reports that affect the premium charged is at most a subset of a subset of a subset of .017 percent,” and stating that “the use of credit information for insurance purposes is lawful, commercially accepted, and statistically proven.”

Fair Isaac and Company, Inc. (Eddy Lo, Insurance Manager spoke in Detroit, and he submitted written comments.) Fair Isaac, a global provider of custom analytics and decision technology, developed credit-based insurance scores and sells them at the three major credit-reporting agencies and through ChoicePoint. Mr. Lo claims that the Fair Isaac models are built to predict future insurance loss ratio relativity, and their validity is unequivocal, as seen from Exhibit A, a series of charts attached to the written comments based on Fair Isaac data, and from other studies Fair Isaac calls “independent” by Tillinghast-Towers Perrin, the Virginia Bureau of Insurance, the American Insurance Association, the University of Texas, and one called the Joint Trade Study. Mr. Lo says Fair Isaac complies with the Fair Credit Reporting Act, the Fair Housing Act, and with Equal Credit Opportunity Act guidelines with the result that none of its

models take into account any protected characteristic such as race, religion, sex, age, marital status, and public assistance source of income. Nor do the Fair Isaac models take into account the income or address of a consumer. The FCRA procedure for correction of errors should take care of any inaccuracies within credit reports. Fair Isaac also states that its models comply with the requirements of the current NCOIL Model Act., and its scores are legal, proven, fair, consistent, accurate, efficient, cost effective, and regulatory friendly.

Farm Bureau Insurance of Michigan (Dawn Elzinga and Matt Moran submitted written comments.) Farm Bureau Mutual Insurance Company (Mutual) and Farm Bureau General Insurance Company (General) both offer discounts on personal auto (up to 25%) and home (up to 15%) insurance, claiming that the insurance scores allow them to differentiate risk beyond what other classification factors, such as driver age, territory, vehicle cost, are able to. Attached Exhibits A shows Farm Bureau's own experience from all auto coverages combined for both companies from 2000 to March 31, 2004, showing a claim frequency of 20 per 100 cars insured for its best credit discount category and 28 per 100 cars for its worst category, receiving no discount. Exhibit B shows written premium changes from 1999 through March 2003, showing an average annual increase of 4% in premium per car and an average annual increase of 7% in premium plus assessments per car. Also attached is the EPIC Actuaries study, without its appendices. After relying on its own data and EPIC, the written comments focus on the impact of the proposed rule, as follows:

- 1) Suggests OFIS is misleading the public into expecting a 15% to 45% reduction in premium when eliminating credit scoring and reducing base rates are offsetting impacts. Farm Bureau estimates, upon the proposed rules taking effect, that 55% of its auto customers will receive an annual premium increase of roughly \$150, and 45% will receive a decrease of roughly \$200, with lower-risk insureds then paying a subsidy of more than their expected costs.
- 2) Cites MCL 500.2110a and acknowledges that discounts under insurance scoring classification systems do result in a redistribution of anticipated losses among policyholders, but asserts credit scoring is no different than other discounts currently allowed such as longevity, good student, and multi-policy discounts.
- 3) Disputes the OFIS Regulatory Impact Statement (RIS) statement that credit histories are notoriously inaccurate, and relies on consumers to correct any errors and seek rescoring.
- 4) Disputes the OFIS RIS contention that the rule will increase price competition by making it easier for consumers to compare prices, and states companies do not use identical classification systems without insurance scoring. Any consumer can provide a company with the relevant information and receive a premium quote now.
- 5) Asserts implementation on January 1, 2005 would be problematic since companies contract for 6 or 12 month periods, and the rule would require changing rates mid-term, with many required to pay additional premium and the insured and Farm Bureau having to deal with lien-holder billings too.

Farm Bureau opposes the rule but, if OFIS goes forward, suggests the effective date language be changed to "policies effective on or after" a certain date.

Farmers Insurance Group (Bill Martin spoke at the Flint hearing with graphs, and Paul Stransky, Director of Government Affairs, submitted written comments, including all the graphs Mr. Martin used with others added.) Farmers insures 120,000 in MI. Farmers relies upon the Tillinghast Towers-Perrin study and the EPIC Actuaries study claiming the 4 major findings of EPIC are essentially conclusive:

- 1) Insurance scores are correlated with propensity of loss, primarily frequency of loss
- 2) Insurance scores significantly increase the accuracy of the risk assessment process
- 3) Insurance scores are among the 3 most significant risk factors for each of the 6 types of coverage studied.
- 4) The EPIC study applies to all states and regions.

Farmers loudly and clearly proclaims that a ban on credit scoring would be discriminatory to good drivers who would be forced to subsidize high-risk drivers and that people who don't pay their bills

should have to pay more for insurance. Mr. Martin in Flint said that bankruptcy is protection for people who don't "want" to pay their bills, and "responsible" people should not have to pay for such "irresponsible people," essentially a moral argument. To rebut claims of discrimination against the poor and using a chart from the Wall Street Journal, Farmers claims that high income people have a higher percentage of debt than low income people, and using a chart from Experian and the Insurance Information Institute, Farmers claims that the link between income and credit score is not readily apparent since Nevada ranks 51st in credit score and 18th in income, while South Dakota ranks 1st in credit score and 41st in income. Farmers also argues that record increases in homeownership and the fact that the cost of homeowners' insurance has not increased as fast as the cost of homes somehow must mean that insurance credit scoring is not bad. Finally, Farmers claims that 59% of its homeowners' policyholders and over 50% of its auto policyholders will see premium increases of 30-34% if the credit scoring is banned in MI, while admitting that the base rate reduction and credit scoring discount will offset each other and rates will stay the same.

In response to the OFIS Regulatory Impact Statement (RIS), Farmers claims that a ban on credit scoring would be preempted by the Fair Credit Reporting Act, that the industry standard is to regulate and not to ban credit scoring, and that the RIS ignores the distinction between base rates and premiums.

Frankenmuth Mutual (Morrall Claramunt, attended the hearings in Lansing and Flint and spoke at the Flint hearing. No written comments received.) Frankenmuth Mutual has been in business since 1868 and is a small company writing in 47 states. It has 350 agents, insures 110,000 homes in MI, and 11,527 homes in Genesee County. It began using credit scores in 2000, offering discounts to its "best customers," and the company believes it should grant discounts to those who show "a sense of responsibility in handling individual affairs." Mr. Claramunt says Frankenmuth has 10 years of data showing a correlation between low credit scores and higher claims costs. He estimates 10,374 of the 11,527 homeowners in Genesee County will lose discounts and see their premiums increase if the rule takes effect. Frankenmuth opposes the rule and sees no advantage to consumers in losing a discount.

Fremont Mutual Insurance Co. (William A. Hall spoke in Grand Rapids July 21, Skip Massucci, Director, Pricing and Product Development, submitted written comments.) Both strongly agree with studies and arguments that support insurance scoring as a valid, non-discriminatory and predictable variable for the propensity of future loss. Eliminating the insurance score discount and adjusting base rates will result in an increase in premium for over 66% of Fremont's insureds. Believes FCRA procedure adequately protects consumers from credit report inaccuracies. As a Michigan exclusive company, Fremont would be at a competitive disadvantage with multi-state carriers if it could not use credit scoring to apportion risk accurately.

Hastings Mutual (Michael W. Puerner, VP, Secretary and General Counsel, spoke in Grand Rapids on July 21 and submitted written comments July 30.) Hastings Mutual has 440 employees in MI, supports HB 5803, and requests the proposed rules be withdrawn. 2003 is the first full year Hastings Mutual used credit scoring discounts, in 5 tiers from 0% to 35% for auto and 0% to 27% for homeowners. Hastings Mutual buys and scores the model from TransUnion, cites the EPIC Actuaries study, and states 77.6% of its auto customers and 84.4% of its homeowners will receive rate increases if insurance scoring is banned. The Hastings Mutual presentation contains a series of charts, purporting to show actual loss ratios for 2003 for its rating tiers, with actual dollar amounts, much more detailed information than that submitted by most other insurers.

Insurance Institute of Michigan (IIM) (Frank Fitzgerald, former OFIS Commissioner, attended the Lansing hearing, spoke in Flint on July 29, and submitted written comments on July 30.) IIM relies upon the study Mr. Fitzgerald as Commissioner conducted during 2002 that concluded with a December 2002 report on the practice and the February 2003 bulletin he issued. The Insurance Institute of Michigan seeks withdrawal of the proposed rules because its spokesman:

- 1) Claims there is a statistical correlation between an insurance score and the likelihood the insured will file a claim. Says that insurance scoring is a proxy for responsibility, a moral argument.
- 2) Claims Choice Point “was open and forthcoming” with him and OFIS staff and disclosed formulas.
- 3) Claims a correlation is all that is required, not causality
- 4) Claims insurance scoring use is authorized as a discount under MCL 500.2110a and an authorized classification under MCL 500.2111.
- 5) Concludes, “It is an undeniable fact that insurance companies do not use constitutionally or statutorily protected characteristics, such as race or ethnicity, in insurance scoring,” based on a Fair Isaac study and the OFIS December 2002 report.
- 6) Claims Michigan must “accord great deference” to FCRA and permit the use of credit information for underwriting purposes.
- 7) Claims the proposed rules mislead citizens of Michigan who will be expecting a 10 to 45% decrease in their auto and homeowners’ rates, and the rules will accomplish “a redistribution of premium . . . without actuarial justification.”
- 8) Claims the rule will “cast a cloud over Michigan’s regulatory practice that will discourage companies from doing business in MI.”

Michigan Bankers Association (Don Heikkinen spoke in Grand Rapids July 21 and submitted written comments.) Oral testimony was that credit scores work, and he does not want to penalize good customers for bad customers. Received via e-mail 2 pages of argument, essentially saying that insurance is used to pay off bank loans when the car or house is destroyed, making for happy bankers, and it is “unfair to our good customers – to charge them more, make it harder for them to properly afford their car payments or their house payments, just so that others, who haven’t taken care of their credit get a better deal.” Alleges credit reports are accurate and that people who may not pay off their loans should not get “cheaper insurance.” No attachments, no citations to any study.

Michigan Chamber of Commerce (Wendy Hofmeyer, Director, Health Policy and Human Resources, spoke in Lansing and submitted written comments.) Over 380 of nearly 6500 chamber members are insurers, financial institutions, real estate companies, or other creditors. Believes rule is “dangerous precedent by delivering into the hands of a regulator the power to circumvent the legislative process.” Alleges the proposed rule is politically charged and ignores state and federal laws authorizing the use of credit information and the separation of powers provisions in the state constitution. She doubts the rule will actually save Michigan policyholders money. Alleges Michigan’s Essential Insurance Act authorizes the “use of risk classifications, such as credit information, for insurance purposes. . .” while prohibiting, unlike other states, the use of risk classifications to refuse to write, cancel, or nonrenew a policy, and she cites MCL 500.2110a as specific authorization. Argues MI would be the only state to ban the use of credit information for a sector of the financial services industry by administrative rule. The Michigan Chamber believes some regulation of the use of credit information for insurance purposes may be appropriate, but believes OFIS has over-stepped its constitutional authority by proposing a ban by administrative rule.

Michigan Insurance Coalition (Eric Henning, spoke at Flint hearing, July 28, 2004, and submitted his speech in writing.) Says ample testimony already on value of insurance scoring as predictive tool, “validated in study after study.” Consumers as a group have provided “anecdotal stories about rising insurance rates and perceived inequities.” Says the issue should be resolved by the legislature, the appropriate place for a “public policy discussion.”

As to the proposed rules, Mr. Henning states the Legislature has not granted the Commissioner authority to promulgate proposed rule, and the Commissioner has exceeded her authority in 4 ways:

- 1) Insurance Code establishes fairness standards, and “nothing in the Insurance Code permits the commissioner to eliminate the use of a particular rating classification or discount factor by insurers, especially one which is authorized by statute.”
- 2) The Insurance Code contains ratemaking standards and requires the commissioner to review insurers’ classifications, rating plans, and rate filings for compliance with fairness standards. The Commissioner has ignored her duties under the Insurance Code. If insurance credit scoring violates the law, the commissioner would not need an administrative rule to enforce the code.
- 3) FCRA explicitly authorizes use of insurance scores in the underwriting of insurance. Says FCRA permits “insurers to use all manner of consumer reports for insurance underwriting purposes.
- 4) The proposed rule does not meet the applicable test under the Michigan APA since it seeks to eliminate one rating classification rather than determine the standards under which this and other classifications should be evaluated.

The long and short, according to Eric Henning for MI Insurance Coalition, is that the executive branch is attempting to usurp legislative power and the rule would impose enormous inequities on consumers by forcing those receiving credit scoring discounts to “subsidize people who pose a greater risk of loss.”

National Association of Mutual Insurance Companies (NAMIC) (Neil Alldredge, Director of State Affairs, submitted written comments.) NAMIC members write 42% of the auto market and 50% of the homeowners market in MI. NAMIC opposes the rule, and its central argument is that this is public policy question that should be debated and determined by the Michigan Legislature. Accepts as a given the arguments that credit scores are accurate, that credit scoring allows insurers to price products in a way that accurately reflects risk, and states that adoption of the rule will not lower rates. He also argues that MI consumers are ill served by sharp changes in “regulatory discretion,” and the next Commissioner could rescind the rule.

Progressive Michigan Insurance Company (Jeanette Hisek, Personal Auto Product Manager, spoke in Lansing July 19, 2004, and submitted written comments submitted with attachments: 1) a chart from 1998 AIA Study of 794,000 policies (does not say where) that purports to show that insurance scores do not unfairly discriminate against low income consumers; 2) Progressive A-24 Credit Model chart to show better credit scores are predictive of lower losses (i.e. pure premium) that says it’s based on “countrywide data set consisted of 3.8 million credit reports;” 3) 3-page Progressive Notice to policyholder on credit score use; 4) copy of AAI, AMI, and NAMIC press release for EPIC June 2003 study; 5) EPIC study itself, with Appendix Q on MI; 6) GAO July 31, 2003 report, finding insufficient data to access accuracy of credit reports. Progressive is 6th largest auto writer in MI, 3rd largest auto writer in US. Says Progressive has grown over 30% (written car year basis) each year for the past 5 years in MI.

- 1) Effective January 13, 1997, the MI statute authorizes discounts and not just safety-related ones. Mentions good-student discount and says Progressive met with former Insurance Bureau staff in 1997 and got “approval” to begin using credit scoring, and no future rate revision filed with OFIS has been disapproved.
- 2) Insurance credit scoring is proven “very powerful and independent predictor of future loss.” Mentions EPIC Actuaries study, which Progressive attached, Univ. of Texas Austin study (not attached), VA Bureau of Ins. (not attached), Fair Isaac (not attached.)
- 3) FCRA provides process to assure accuracy and Progressive sends adverse action notices and reruns credit report if customer alleges s/he corrected errors.
- 4) Has “Credit Assist Team” to explain credit score to consumer and a 3-page notice to policyholder attached to its submission. Progressive says its team provides exceptions

- for “extraordinary life events – catastrophic illness or injury, divorce or death or spouse leaving little or no credit history, or business loss.”
- 5) Credit scoring makes for more competitive market place.

Re Rule:

- 1) Base rate adjustment is not actuarially sound. A base rate adjustment should be made after all rating factors and discount changes have been made, not based on a weighted average that does not take into account for “mix and premium differences.” Says base rate changes should only be adjusted based on earned exposures, earned premium and indicated rate levels by coverage – not weighted average.
- 2) Need clarification of January 1, 2005 effective date. Not clear whether rule applies to policies in force on that date. That would impair obligation of contract. Also, Progressive needs 30-60 days for “renewal processing” and rule requires filing “30 days in advance of effective date.”
- 3) Request that OFIS support HB 5803 instead of going forward with rule which will create subsidies, increase the rates of the majority of individuals, and jeopardize the availability of insurance in MI.

Property and Casualty Insurers Association of America (PCI) (Lynn Knauf, Policy Manager, spoke in Lansing July 19, 2004 and submitted written comments.) PCI members insure 52% of MI autos and 37% of MI homes. PCI main points:

- 1) Even New Jersey allows use of insurance credit scoring.
- 2) Most other states have concluded debate on insurance credit scoring, and the “overwhelming consensus is for regulation, not ban.”
- 3) FCRA specifically allows “insurer consideration of credit information.”
- 4) High correlation between insurance scores and likelihood of filing claims.
- 5) Objective measurement without disproportionate impact on any specific class.
- 6) Relies on EPIC Actuaries study which it calls, “the largest and most comprehensive study every undertaken between credit history and insurance risk” and found “that the consumer’s credit-based insurance score is unquestionably correlated to that consumer’s propensity for auto insurance loss.”
- 7) Credit scoring is NOT cause for rate increase. Says PIP costs have increased 60% since 1999.
- 8) Don’t worry about inaccuracies in credit reports since FCRA provides fair procedure to resolve disputes. The credit reporting agency must resolve a dispute within 30 days or remove the disputed item from consumer’s record.

State Farm Insurance Companies (Amy Shalley spoke in Flint on July 28, and Tom Manning, Counsel, submitted written comments dated July 26, 2004.) State Farm is among leading MI auto insurers, providing coverage for 1 in 5 MI autos in 2003, and State Farm is the leading insurer of homes in MI, providing coverage for 1 in 5 MI homes. State Farm employs about 1,860 people in MI, with about 640 agents in the state. State Farm opposes the proposed rule. Amy Shalley said in Flint that eliminating credit scoring is revenue neutral, a matter of transferring cost to those policyholders with a higher propensity for loss. Mr. Manning stated that State Farm developed its own models for home and auto using its own book of business, and the results of its studies mirror those of the Texas study and EPIC Actuaries. State Farm argues:

- 1) The use of credit information is governed by FCRA, State Farm complies with FCRA, and FCRA provides an adequate process for consumers to correct inaccurate information.
- 2) Unfair discrimination laws in MI already protect policyholders without the proposed rules, and credit scoring does not involve use of recognized discrimination categories: race, creed, color, national origin, gender, and religion.

- 3) It would be burdensome and likely impossible for State Farm to comply with a January 1, 2005 effective date for a credit scoring ban and reduction in base rates.
- 4) A roll-back in base rates is tantamount to a “taking,” not supported by sound actuarial principles and arguably unconstitutional.
- 5) Credit use and insurance scoring produces a redistribution of premium charges designed to ensure that each individual is paying an amount that is more in line with the risk that he or she is transferring to the insurer.”
- 6) Many consumers will see their premiums increase if the rule is adopted.

TransUnion (Eric Rosenberg, Government Relations Liaison, attended but did not speak at the Grand Rapids hearing July 21, and he submitted written comments.) TransUnion has a vested interest in the accuracy and reliability of the information in its database, which is the foundation of its competitive business. TransUnion does not claim perfection. TransUnion makes 2 billion updates to more than 200 million credit files each month, updating its entire database weekly. The benefits of an automated decision-making system are: objectivity, elimination of any factors related to age, gender, ethnicity, quick credit and insurance decisions, improved risk segmentation and pricing, scalability, and the ability for insurers to complete nationally and in underserved areas. Mr. Rosenberg relies on the procedure in FCRA to protect consumers from true errors, while claiming most errors are cosmetic – change of address or one number off in a street address, misspellings, maiden names, showing an old address as a current address – and do not affect the risk decision. TransUnion also relies on studies by the Virginia Dept. of Insurance, Tillinghast-Towers Perrin, and EPIC Actuaries for the correlation between credit data and future insurance losses. Opposes rule and seeks Commissioner’s support in use of insurance scoring in insurance underwriting.

Westfield Group (Charlie Neeson, Senior Executive submitted written comments.) Westfield wrote over 69,000 policies in MI in 2003, collected over \$80 million in premiums, paid over \$32 million in claims, paid \$1.1 million in premium taxes to the state of MI, and has 38 employees in MI offices. Opposes rule set on numerous grounds:

- 1) As an attempt to “restrict an insurer’s freedom to develop new risk classification systems.”
- 2) Claims that “Insurance scores are objective, unbiased and result in premiums that are neither inadequate, excessive, nor discriminatory under the law.”
- 3) Claims there is scientific and authoritative evidence to support a correlation between insurance scores and risk of loss, relying upon the Tillinghast-Towers Perrin 1996 study commissioned by Fair-Isaac, the Monaghan study, the Texas Bureau of Business Research 2003 study, and the EPIC Actuaries 2003 study.
- 4) Westfield claims its own proprietary data support the conclusions reached in the above studies and also claims this data is included in its Michigan rate filings for homeowners and autos. However, the July 2003 filing with OFIS cited by Westfield contains no such data. That filing merely claims the data exists and refers OFIS to Eddy Lo, with Fair, Isaac & Co. for “specific information.”